



CDBG Small Business Loan Program

In its 2020-2024 Consolidated Plan for Housing and Community Development, the City of Hickory identified increasing entrepreneurship opportunities as a high priority need. The CDBG Small Business Loan Program provides loans to businesses looking for funding to create jobs and make necessary investments to take their business to the next level.

What is a CDBG Small Business Loan?

According to the US Department of Housing and Urban Development, a responsible entity is allowed to loan CDBG grant monies to a business owner. Since the project will be funded with CDBG funds, all loans must be made to businesses with the intent of creating jobs for low to moderate income individuals.

The award may be in an amount up to \$20,000 for eligible businesses that create or retain jobs, of which at least 51% are filled by low to moderate income individuals. An individual is considered low to moderate income if their household income is less than 80% of the area median income. That is currently \$48,250 for a family of four. The table below indicates the current HUD income limits. (All limits are subject to change as HUD updates their information.) The maximum funding will be based on needs presented in the business plan.

Persons in Family	Maximum Income
1	\$33,800
2	\$38,600
3	\$43,450
4	\$48,250
5	\$52,150
6	\$56,000
7	\$59,850
8	\$63,700

Funding Eligibility Exclusions

The following uses are not eligible for funding:

- Religious organizations for sectarian purposes;
- Nonprofit organizations;
- Businesses and buildings not within the City of Hickory municipal limits;
- Individual K-12 schools (public or private);
- Organizations that discriminate on the basis of race, culture, gender, sexual orientation, age, or religion;
- Political activities;
- Adult businesses;
- Civic Organizations.

Use of Funds

Loan funds may be used to purchase business equipment or for working capital. If equipment is purchased, the loan amount will be paid by the City of Hickory directly to a third-party vendor from which business equipment is being purchased. If the loan is used for working capital, there must be some form of collateral (such as existing business equipment) to secure the loan and loan payouts will be made directly to the business owner. The Business Development Committee will recommend the proposed use of funds and any payment schedule during the grant approval process. Loan funds may not be used for real property improvements. Funds may not be used for expenses that were incurred prior to final approval of the funding agreement by the Hickory City Council.

Terms of Loan and Repayment

- The City of Hickory will loan an amount up to \$20,000 for eligible businesses that create jobs, at least 51% of which are filled by low to moderate income individuals. The loan period will be for 9 years at a 4% interest per annum. If payments are made on time for a period of five years and other program criteria are met, the remaining balance will be forgiven.
- Re-payment of the loan will be in monthly payments made to the City of Hickory via an automatic bank draft from the business owner's account. No other forms of payment shall be accepted.
- These terms may be modified during emergency, disaster, or pandemic conditions by the Hickory City Council.

Application Requirements

- Completed application form
- Business Plan (template included)
- Financial Projections
- Counseling appointment with one of the following three agencies: the CVCC Small Business Center, LRU Center for Social and Commercial Entrepreneurship, or the Small Business Technology Development Center
- Letter of Recommendation from one of the above counseling agencies
- DUNS Number (Dunn and Bradstreet)
- Willingness to keep a log on all people interviewed for new jobs, if they are low to moderate income and if they are hired for the job
- Willingness to obtain past pay stubs from new employees to verify hiring a low to moderate income individual
- UCC Financial Statement for equipment purchased or for existing equipment used as collateral
- Willingness to complete Quarterly Financial Statements and Employee Reports
- W-9 Form (Request for Taxpayer Identification Number and Certification), if necessary

Additional Requirements

The following additional requirements apply to all recipients:

- The business must be in the City of Hickory municipal limits.
- The business must be in compliance with all applicable City of Hickory regulations, codes, and ordinances, including the Land Development Code and the Hickory Code of Ordinances.

Scoring Criteria

The following criteria will be used by the Business Development Committee to prioritize loan projects:

- Number of jobs the business plans to create (51% of which must be filled by low to moderate income individuals)
- Length of time business has been in existence
- Growth potential
- General quality of the business plan — including the value proposition and the uniqueness of the business, availability of target audience, knowledge of competition, detailed marketing plan, detailed plans of production and/or distribution channels, detailed explanation of revenue model and cost structures, and a clear understanding of market size and growth potential.
- Other funding secured

Review of the Application

Staff will review all applications for loans under this program and forward the selected application packets along with recommendations to the Business Development Committee. When evaluating the application packets and staff's recommendations, the Business Development Committee, considering the above scoring criteria, shall then forward a recommendation of approval of the loan application to the Hickory City Council or deny the loan application. The Business Development Committee's denial of the loan application is not appealable to the City Council.

Final Approval and Award of the Loan

City Council shall consider the BDC's recommendation of approval and make a final decision to approve the loan application as submitted, approve the loan application with modifications, or deny the loan application.

Funding Agreement, Project Schedule and Other Required Activities

- After consulting with the counseling organization, the Business Development Committee will approve a project schedule detailing implementation milestones and objectives. This schedule will be part of the funding agreement. Funding will be paid via a UCC agreement with the business' vendor of equipment.
- Recipients will also be required to have periodic meetings with CDBG Staff to verify job creation and certify those jobs are filled by low to moderate income individuals. These meetings will be held quarterly for the first year and then annually thereafter.
- Recipients will be required to check in with the Business Development Committee at least once during project execution to provide updates on the business.

Conflicts of Interest

No persons who exercise or have exercised any responsibilities with respect to this program shall be eligible to receive any assistance under this program. This list includes, but is not limited to, all City staff, all elected and appointed officials exercising responsibilities related to the CDBG program, and the immediate family members of these groups. Immediate family members include: parents, spouses and

domestic partners, siblings, and children regardless of age. This prohibition will continue for a period of one year from the date their affiliation with the City as a staff member or elected official ceases.

General Disclaimer

There is no right or entitlement to funding. All decisions are made at the discretion of the granting authority. All projects must meet all applicable regulations of the Community Development Block Grant program, including environmental review requirements. All grant agreements are subject to approval by the Hickory City Council.